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September 7, 2011

Board of Directors
Fort Wayne Public Transportation Corporation
801 Leesburg Road
Fort Wayne, IN 46808-2571

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Fort Wayne Public Transportation Corporation, as of December 31, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Accountants' Reports and Financial Statements

December 31, 2010 and 2009

BKD LLP

CPAs & Advisors

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

December 31, 2010 and 2009

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Directors
Fort Wayne Public Transportation Corporation
Fort Wayne, Indiana

We have audited the accompanying basic financial statements of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of Citilink's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Citilink as of and for the year ended December 31, 2009, were audited by other accountants whose report dated March 22, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of Fort Wayne Public Transportation Corporation as of December 31, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2011, on our consideration of Citilink's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and pension information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

March 29, 2011

Management's Discussion and Analysis – Unaudited

As financial management of the Fort Wayne Public Transportation Corporation (A Component Unit of the Consolidated City of Fort Wayne – Allen County) (d/b/a Citilink), we offer readers of these financial statements this narrative overview and analysis of the financial activities of Citilink for the fiscal year ended December 31, 2010. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Overview of the Financial Statements

Citilink's financial statements consist of three statements – statement of net assets; a statement of revenue, expenses and changes in net assets; and a statement of cash flows. These statements provide information about the activities of Citilink, including resources held by Citilink but restricted for specific purposes by creditors, contributors, grantors or enabling legislation.

The statements of net assets present information on all of Citilink's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Citilink is improving or deteriorating.

The statements of revenue, expenses and changes in net assets reflect the operating activity and resulting changes in net assets of Citilink for the year using the accrual basis of accounting, similar to private sector companies. The change in nets assets is an indicator of whether the overall fiscal condition of Citilink has improved or worsened during the year.

Measurement Focus and Basis of Accounting

Citilink is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenue is recognized in the period in which it is earned, expenses are recognized in the period in which they are incurred and depreciation of assets is recognized in the statements of revenue, expenses and changes in net assets. All assets and liabilities associated with the operation of Citilink are included in the statements of net assets.

Financial Highlights

- Cash and cash equivalents increased in 2010 by $1,245,641 or 37% over 2009. The two major areas contributing to the net cash increase are a decrease in cash used in operating activities of $621,480 and an increase in cash provided by federal and state taxes and grants of $139,910. The decrease in operating expenses was due mainly to lower fuel costs in 2010 compared to 2009.

- Citilink's net assets increased by $4,115,646 or 36.94% over 2009. This positive change in net assets reflects a healthier financial outlook compared to the recent past. The increase in net assets was due mainly to the purchase of eleven new buses in 2010. Citilink purchased seven hybrid electric buses ($3,802,175) and four Flex-route buses ($351,757) that were funded in large part with federal American Recovery and Reinvestment Act of 2009 (ARRA) grants. The ARRA grants allow for capital purchases at a federal funding level of up to 100%. Also contributing to the increase in net assets were lower operating expenses and an increase in nonoperating revenues from federal and state grants.

- Citilink reported operating losses in 2010 of $10,912,474 as compared to the 2009 amount of $11,265,516. This is a 3.13% decrease. Citilink receives nonoperating revenues in the form of property taxes and governmental grants to support operations. This is consistent with Citilink's operating history as it was formed and is operated primarily to provide public transportation to the residents of Fort Wayne and New Haven and is subsidized to that end.

Table 1: Statements of Net Assets

	2010	2009	2008
Current and other assets	$ 6,516,901	$ 5,507,841	$ 5,450,866
Capital assets	12,104,396	8,171,081	7,952,354
Total assets	18,621,297	13,678,922	13,403,220
Current liabilities	1,000,590	781,655	735,760
Other long-term liabilities	2,362,762	1,754,968	1,113,007
Total liabilities	3,363,352	2,536,623	1,848,767
Net assets			
Invested in capital assets	12,076,533	8,171,081	7,952,354
Unrestricted	3,181,412	2,971,218	3,602,099
Total net assets	$ 15,257,945	$ 11,142,299	$ 11,554,453

Changes in Net Assets

In 2010, Citilink's net assets increased by $4,115,646 or 36.94%, compared to a decrease of $412,154 or 3.57% in 2009, as shown in Table 2. The largest increase was seen in capital contributions, which is attributed to the purchase of eleven new buses in 2010. The majority of the funding for these buses was Federal ARRA grants, which require zero local match. The decrease in net assets from 2008 to 2009 was due primarily to the recording of postretirement benefit liability that was recorded in 2009.

Table 2: Statements of Revenue, Expenses and Changes in Net Assets

	2010	2009	2008
Operating revenue	$ 1,316,697	$ 1,298,310	$ 1,354,893
Operating expenses	12,229,171	12,563,826	12,245,758
Loss from operations	(10,912,474)	(11,265,516)	(10,890,865)
Net Nonoperating revenue (expenses			
Investment income	11,790	13,785	57,905
Local government assessments and taxes	5,424,581	5,375,583	4,835,260
Federal grants and reimbursements	2,667,865	2,405,728	2,239,530
State operating grants	1,909,408	1,889,931	2,000,446
Pass-through to subrecipient	(80,850)	(59,997)	(73,344)
Other	91,765	92,371	171,185
Net nonoperating revenues (expenses)	10,024,559	9,717,401	9,230,982
Net loss before capital contributions	(887,915)	(1,548,115)	(1,659,883)
Capital contributions	5,003,561	1,135,961	2,526,574
Net increase (decrease)	4,115,646	(412,154)	866,691
Net assets, beginning of year	11,142,299	11,554,453	10,687,762
Net assets, end of year	$ 15,257,945	$ 11,142,299	$ 11,554,453

Revenue

Operating revenue consists of passenger fares, including bus pass sales, and increased slightly over 2009 with a 1.42% increase, while nonoperating revenue increased by $307,158, or 3.16%. Nonoperating revenues consist primarily of property taxes levied by Citilink, federal and state (PMTF) grants, and investment income. The major area of revenue increase was in federal grants for Job Access Reverse Commute (JARC), Congestion Mitigation Air Quality (CMAQ), and Complementary Paratransit. The decrease in operating revenue from 2008 to 2009 was due to a decrease in ridership, and an increase in property tax receipts contributed to an overall increase in nonoperating revenue for the same period.

Expenses

Operating expenses decreased by $334,355 or 2.66% in 2010 compared to 2009. The major categories of expense for Citilink are salaries and wages, benefits, and diesel fuel. Citilink was able to lock in fuel prices for 2010 through a vendor contract which allowed for a significant decrease, $299,766, in fuel expense for 2010. In 2009, operating expenses increased by $318,068 or 2.60% when compared to 2008. This increase was primarily due to increases in salaries, wages and fringe benefits.

Operating Losses

Operating income or loss is generally the difference between net passenger service and other operating revenues and the expenses incurred to perform those services. Citilink has reported an operating loss in each of the past three years. This is consistent with Citilink's operating history as the PTC was formed and is operated primarily to provide public transportation to the residents of Fort Wayne and New Haven and is subsidized to that end. Citilink levies property taxes and receives federal grants to provide sufficient resources to enable it to serve residents in the metropolitan area.

Table 3: Cash Flows

	2010	2009	2008
Cash flows from operating activities	$ (8,749,851)	$ (9,371,331)	$ (9,561,446)
Cash flows from noncapital financing activities	9,975,199	9,835,289	8,542,688
Cash flows from capital and related financing activities	(94,379)	54,712	(375,546)
Cash flows from investing activities	114,672	64,557	113,695
Net increase (decrease) in cash and cash equivalents	1,245,641	583,227	(1,280,609)
Cash and cash equivalents, beginning of year	3,366,058	2,782,831	4,063,440
Cash and cash equivalents, end of year	$ 4,611,699	$ 3,366,058	$ 2,782,831

Cash Flows

Cash flows continued to improve from 2009 to 2010. Net cash used in operating activities decreased by $621,480 due primarily to decreased amounts paid to suppliers (primarily fuel costs) which was offset by an increase in payments for employee benefits. Net cash provided by noncapital financing activities increased by $139,910. This was due primarily to increased local government assessments and taxes (mainly property and COIT taxes) and increases in state and federal funding. Net cash provided by capital and related financing activities decreased by $149,091 mainly due to the capital purchases from receipts of grants under the American Recovery and Reinvestment Act of 2009 (ARRA), which provides 100% funding of capital projects from federal grants. Net cash provided by investing activities increased by $50,115 related to a decrease in interest income from investments due to timing of local funding and decreased interest rates.

From 2008 to 2009, net cash used in operating activities decreased by $190,115 due primarily to decreased amounts paid to suppliers (primarily fuel costs). Net cash provided by noncapital financing activities increased by $1,292,601. This was due primarily to increased local government assessments and taxes (mainly property and COIT taxes) and increases in state and federal funding. Net cash provided by capital and related financing activities increased by $430,258 mainly due to receiving grants under the American Recovery and Reinvestment Act of 2009 (ARRA), which provides 100% funding of capital projects from federal grants. Net cash provided by investing activities decreased by $49,138 related to a decrease in interest income from investments due to timing of local funding and decreased interest rates.

Capital Assets

Citilink's investment in capital assets amounts to $12,104,396 as of December 31, 2010, an increase of $3,933,315 (48.14%), consisting of depreciation expense of $1,334,524 offset by capital asset additions of $5,393,425. Capital assets include land, buses shop equipment, and administrative equipment, and additions in 2010 include:

- The purchase of seven hybrid electric buses
- The purchase of four flex-route buses

Economic Factors

Other than the uncertainty of general economic indicators on Citilink, its funding sources and its customers, there are no significant facts, decisions or conditions expected that management believes will have a significant impact on the financial position or results of its operations.

Requests for Information

This financial report is designed to provide a general overview of Citilink's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Controller, Fort Wayne Public Transportation Corporation, 801 Leesburg Road, Fort Wayne, Indiana 46808.

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statements of Net Assets
December 31, 2010 and 2009

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	$ 3,221,843	$ 2,105,953
Receivables, net of allowance for uncollectibles amounts		
Federal grants	241,703	293,533
State assistance	475,787	478,152
Services	62,661	58,986
Contracts receivable, City of Fort Wayne	258,259	245,071
Inventories	280,385	224,072
Prepaid expenses	68,214	70,028
Total current assets	4,608,852	3,475,795
Noncurrent Assets		
Cash and cash equivalents	1,389,856	1,260,105
Contract receivable, City of Fort Wayne	518,193	771,941
Capital assets		
Land and construction in progress, nondepreciable assets	1,151,602	1,016,185
Buildings, vehicles and equipment, net	10,952,794	7,154,896
Total noncurrent assets	14,012,445	10,203,127
Total assets	18,621,297	13,678,922
Liabilities		
Current Liabilities		
Accounts payable	349,421	33,410
Other accrued expenses	522,169	444,745
Accrued self-insurance liability	125,000	299,500
Accrued separation liability, current portion	4,000	4,000
Total current liabilities	1,000,590	781,655
Noncurrent Liabilities		
Net pension obligation	498,892	348,359
Postemployment benefit obligation	1,602,450	1,080,189
Accrued sick pay and benefits	228,000	293,000
Accrued separation liability, long-term portion	33,420	33,420
Total noncurrent liabilities	2,362,762	1,754,968
Total liabilities	3,363,352	2,536,623
Net Assets		
Invested in capital assets	12,076,533	8,171,081
Unrestricted	3,181,412	2,971,218
Total net assets	$ 15,257,945	$ 11,142,299

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Statements of Revenue, Expenses and Changes in Net Assets
Years Ended December 31, 2010 and 2009

	2010	2009
Operating Revenue		
Passenger fares	$ 1,115,442	$ 1,138,601
Fare subsidy	89,544	48,337
Para transit	111,017	110,726
Other	694	646
Total operating revenue	1,316,697	1,298,310
Operating Expenses		
Salaries and wages	4,348,823	4,329,220
Fringe benefits	3,811,346	3,813,405
Services	663,555	731,358
Materials and supplies	1,537,551	1,902,695
Utilities	102,288	126,358
Casualty and liability costs	238,934	365,348
Taxes	922	925
Miscellaneous	171,355	142,151
Lease and rentals	1,320	1,320
Vehicle tracking system	18,551	14,952
Depreciation	1,334,526	1,136,094
Total operating expenses	12,229,171	12,563,826
Operating loss	(10,912,474)	(11,265,516)
Nonoperating Revenue (Expenses)		
Local government assessments and taxes	5,424,581	5,375,583
Federal operating grants	2,667,865	2,405,728
State operating grants	1,909,408	1,889,931
Pass-through to subrecipient	(80,850)	(59,997)
Interest income	11,790	13,785
Loss on sale of capital assets	(11,117)	—
Rent and miscellaneous	66,746	50,772
Interest from contract receivable	36,136	41,599
Total nonoperating revenue (expenses)	10,024,559	9,717,401
Net loss before capital contributions	(887,915)	(1,548,115)
Capital Contributions, Federal Grants	5,003,561	1,135,961
Net Increase (Decrease)	4,115,646	(412,154)
Net Assets, Beginning of Year	11,142,299	11,554,453
Net assets, End of Year	$ 15,257,945	$ 11,142,299

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities		
Receipts from passengers	$ 1,313,022	$ 1,286,811
Payments to employees and benefit providers	(7,661,875)	(7,386,839)
Payments to suppliers	(2,400,998)	(3,271,303)
Net cash used in operating activities	(8,749,851)	(9,371,331)
Cash Flows From Noncapital Financing Activities		
Receipts of local government assessments and taxes	5,424,581	5,375,583
Receipts of federal and state operating grants	4,631,468	4,519,703
Grant to other organization	(80,850)	(59,997)
Net cash provided by noncapital financing activities	9,975,199	9,835,289
Cash Flows From Capital and Related Financing Activities		
Capital grants received	5,003,561	1,135,961
Purchase of capital assets	(5,393,425)	(1,354,820)
Payments received on contract receivable	240,560	273,571
Proceeds from sale of capital assets	54,925	—
Net cash provided by (used in) capital and related financing activities	(94,379)	54,712
Cash Flows From Investing Activities		
Interest income	11,790	13,785
Other	102,882	50,772
Net cash provide by investing activities	114,672	64,557
Net Increase in Cash and Cash Equivalents	1,245,641	583,227
Cash and Cash Equivalents, Beginning of Year	3,366,058	2,782,831
Cash and Cash Equivalents, End of Year	$ 4,611,699	$ 3,366,058
Supplemental Cash Flows Information		
Accounts payable incurred for purchase of property and equipment	$ 59,542	—

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Statements of Cash Flows
Years Ended December 31, 2010 and 2009

	2010	2009
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (10,912,474)	$ (11,265,516)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,334,526	1,136,094
Bad debt expense	45	—
Changes in assets and liabilities		
Receivables	(3,720)	(11,499)
Inventories	(56,313)	73,155
Prepaid expenses	1,814	8,579
Accounts payable and other accrued expenses	886,271	687,856
Net cash used in operating activities	$ (8,749,851)	$ (9,371,331)

Fort Wayne Public Transportation Corporation
(A Component Unit of the Consolidated City of Fort Wayne – Allen County)
Notes to Financial Statements
December 31, 2010 and 2009

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Significant Accounting Policies

The financial statements of the Fort Wayne Public Transportation Corporation (A Component Unit of the Consolidated City of Fort Wayne – Allen County) (d/b/a Citilink), have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of Citilink's accounting policies are described below.

Reporting Entity

Citilink is a municipal corporation organized pursuant to Indiana Code 36-9-4 and general ordinance G-107-67 adopted by the Common Council of the City of Fort Wayne in September 1967. Citilink operates as a public transit system in a service area, which includes the cities of Fort Wayne, New Haven and certain unincorporated areas of Allen County.

Management of Citilink has determined that it is a component unit of the Consolidated City of Fort Wayne – Allen County in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14. Citilink has based this determination on the fact that the Consolidated City of Fort Wayne – Allen County is considered to be financially accountable for Citilink and its operations.

The Board of Directors of Citilink consists of seven members, three of whom are appointed by the mayor of the City of Fort Wayne and four of whom are appointed by the City of Fort Wayne – Allen County Council (Council). The Citilink Board designates the management of Citilink, namely the General Manager and the other principal members of the management staff. The Citilink Board adopts the budget and tax levy, and approves the issuance of debt. In addition, the Council may review and modify the budget and tax levy, although its approval is not required for the issuance of debt.

Basis of Accounting

Citilink's financial statements consist of a single-purpose business type activity which is reported on the accrual basis of accounting using the economic resources measurement focus. Revenue is recognized in the period it is earned and expenses are recognized in the period they are incurred. Citilink is not subject to federal or state income taxes.

Effective January 1, 2010, Citilink adopted Statement of Governmental Accounting Standards No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes Governmental Accounting Standards No. 20, A*ccounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in Paragraph 7 of that Statement for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. This

Statement has been applied retrospectively and had no impact on Citilink's net assets, changes in net assets or financial reporting disclosures.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and other changes in net assets during the reporting period. Significant estimates include the assumptions used in computing Citilink's pension benefit obligation. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, Citilink considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2010, cash equivalents consisted of money market accounts with brokers.

Accounts Receivable

Accounts receivable are reported at their contract amounts adjusted for any charge-offs and the allowance for doubtful accounts. Accounts are considered past due based on their individual contract terms.

Inventories (Materials and Supplies)

Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out basis.

Capital Assets

Capital assets purchased or acquired with federal, state and local funds with an original cost of $1,000 or more are reported at cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incured. Depreciation on all assets is provided on a straight-line basis over the following estimated lives:

Passenger shelters	5 – 10 years
Service vehicles	2 – 8 years
Buildings and improvements	10 – 36 years
Shop and garage equipment	2 – 10 years
Revenue vehicle movement control facilities	2 – 10 years
Revenue collection facilities and equipment	5 – 15 years
General administrative equipment	2 – 10 years
Passenger revenue vehicles	3 – 12 years

Compensated Absences

Full-time union personnel and most administrative staff receive compensation for vacations, holidays and sick pay. The number of weeks of compensation for vacation is based upon length of service. Vacation which has been earned but not paid has been accrued in the accompanying financial statements. Accumulated but unused sick pay benefits are nonvesting; however, employees will receive a percentage (70% in 2010 and 2009) of unused sick pay upon retirement. The maximum accumulated sick pay hours for retirement benefit is 1,600. Unused sick pay benefits are accrued under the termination-payment method, which estimates sick pay liability on past history, adjusted for pay rate changes, administrative policies and other relevant factors, including the probability that employees will become eligible to receive these benefits in the future.

Net Asset Classification

Net assets are required to be classified into three components - invested in capital assets, net of related debt; restricted and unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and costs to be recovered from future revenue, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

Restricted – This category presents external restrictions imposed by creditors (such as through debt covenants), contributors or law or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Citilink had no restricted net assets at December 31, 2010 and 2009.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is Citilink's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue and Expenses and Net Asset Recognition

Operating revenues are derived from passenger fares, service contracts, rental of property and sale of advertising space. Operating expenses include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is Citilink's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenue Recognition

Passenger fares are recorded as revenue at the time the service is provided.

Property taxes receivable are recorded when Citilink has an enforceable legal claim to the resources and the related revenue is recorded as nonoperating in the period for which the taxes are levied.

Citilink recognizes federal and state grant income when eligibility requirements are met. The Federal Transit Administration (FTA) and the state of Indiana provide financial assistance and distribute grants directly to Citilink for operations and acquisition of property and equipment. Operating grants made on the basis of entitlement periods are recorded as grant receivables and revenue over the entitlement periods, based on qualifying expenditures. Capital grants for the acquisition of property and equipment (reimbursement type grants) are recorded as grant receivables when the related grant expenditures are incurred. Costs claimed under federal and state grants are subject to audit and acceptance by the granting agency.

Resources received or recognized as receivable before time requirements are met, are reported as deferred revenue.

Property Taxes

The following summarizes the property tax calendar for Citilink:

	2010	2009
Lien date	March 2009	March 2008
Levy date	March 2010	March 2009
Tax bills mailed	April 2010	April 2009
First installment due	May 2010	May 2009
Second installment due	November 2010	November 2009

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation. The reclassifications had no effect on the changes in net assets.

Subsequent Events

Subsequent events have been evaluated through March 29, 2011, which is the date the financial statements were available to be issued.

Note 2: Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. Citilink's deposit policy for custodial credit risk requires compliance with the provisions of Indiana law.

The financial institutions holding Citilink's deposit accounts are participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, all noninterest-bearing accounts are fully guaranteed by the FDIC for the entire amount in the accounts.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to $250,000 for all interest-bearing accounts. Pursuant to further legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

Any cash deposits in excess of the FDIC limits described above are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

Summary of Carrying Values

The carrying values of cash and deposits are included in the statements of net assets as follows:

	2010	2009
Carrying value		
Deposits	$ 4,611,699	$ 3,366,058

	2010	2009
Cash and cash equivalents		
Current, unrestricted, including amounts designated for local match	$ 3,221,843	$ 2,105,953
Noncurrent, unrestricted, including amounts designated for self-insured claims	1,389,856	1,260,105
	$ 4,611,699	$ 3,366,058

Note 3: Capital Assets

Capital assets activity for the years ended December 31, 2010 and 2009, was:

	2010				
	Beginning Balance	Additions	Adjustments and Retirements	Transfers	Ending Balance
Land, building and improvements	$ 3,859,597	$ 558,019	$ —	$ 27,933	$ 4,445,549
Passenger shelters	559,922	41,546	—	—	601,468
Motor coaches	10,495,174	4,153,932	(1,003,034)	—	13,646,072
Service vehicles and other equipment	2,123,314	144,406	(14,826)	—	2,252,894
Capital lease, facilities	149,500	—	—	—	149,500
Capital projects in process	600,755	163,350	—	(27,933)	736,172
Office furniture and equipment	540,671	272,631	(12,417)	—	800,885
Total capital assets	18,328,933	5,333,884	(1,030,277)	—	22,632,540
Less accumulated depreciation	10,157,851	1,334,526	(964,233)	—	10,528,144
Net capital assets	$ 8,171,082	$ 3,999,358	$ (66,044)	$ 0	$12,104,396

	2009				
	Beginning Balance	Additions	Adjustments and Retirements	Transfers	Ending Balance
Land, building and improvements	$ 3,568,755	$ 290,842	$ —	$ —	$ 3,859,597
Passenger shelters	559,922	—	—	—	559,922
Motor coaches	9,550,622	944,552	—	—	10,495,174
Service vehicles and other equipment	2,170,303	41,472	(88,461)	—	2,123,314

	2009				
	Beginning Balance	Additions	Adjustments and Retirements	Transfers	Ending Balance
Capital lease, facilities	$ 149,500	$ —	$ —	$ —	$ 149,500
Capital projects in process	554,678	46,077	—	—	600,755
Office furniture and equipment	567,180	31,879	(58,388)	—	540,671
Total capital assets	17,120,960	1,354,822	(146,849)	—	18,328,933
Less accumulated depreciation	9,168,606	1,136,094	(146,849)	—	10,157,852
Net capital assets	$ 7,952,354	$ 218,728	$ 0	$ 0	$ 8,171,081

Capital Leases

During 2004, Citilink entered into a lease with the Fort Wayne Urban League (FWUL), a local nonprofit organization. FWUL constructed a new facility as part of the Hannah-Creighton project, which also includes new facilities for the Allen County Public Library and the Community Action of Northeast Indiana Headstart. Citilink provided the circular driveway that serves as the public entrance. Citilink paid $119,500 for a 40-year lease with the option to extend the term for up to two consecutive ten-year periods. Citilink was also obligated to design and construct the circular drive that serves as the public entrance and the center "park/public art" space for a total cost not to exceed $150,000.

During 2005, Citilink entered into an agreement with FWUL to lease part of the FWUL's new facility at the Hannah-Creighton project. The purpose of this lease is to provide an indoor passenger waiting area. Citilink paid $30,000 in February 2005 to the FWUL. This is also a 40-year lease with the option to extend the term for up to two consecutive ten-year periods.

These capital leases are being depreciated over 40 years on a straight-line basis. Depreciation expense relating to these leases for the years ended December 31, 2010 and 2009, was $3,738.

Note 4: City of Fort Wayne Contract Receivable

In July 2004, Citilink entered into a purchase and sale agreement for the downtown parking garage with the City of Fort Wayne, Indiana (City). Prior to this agreement, Citilink and the City each owned 50% in Phase II of the Civic Parking garage located in Fort Wayne, Indiana. In the

agreement, the City purchased Citilink's share of the parking garage for $1,915,000 to be paid in seven annual installments of $273,571 beginning July 15, 2007, and ending July 15, 2013. The note has an imputed interest rate of 3.7%. The balance of this contract receivable was $776,452 and $1,017,012 as of December 31, 2010 and 2009, respectively. Imputed interest of $36,136 and $41,599 was recorded in other income for the years ending December 31, 2010 and 2009, respectively.

Note 5: Other Accrued Expenses

Other accrued expenses at December 31, 2010 and 2009, consisted of:

	2010	2009
Salaries and wages	$ 183,581	$ 164,527
Vacation pay	252,000	249,000
Sick pay and benefits	53,000	—
Pension contribution	19,460	17,206
Payroll taxes	14,044	12,418
Miscellaneous	84	1,594
	$ 522,169	$ 444,745

Note 6: Risk Management

Citilink is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption, errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Citilink is self insured for worker's compensation, general liability and vehicle risks up to $50,000 per individual, $5,000,000 per occurrence. Property and public transportation liability risks are covered by policies which provide from $1,000,000 up to $7,073,073 per occurrence. Employee health insurance claims have an unlimited lifetime maximum coverage. Settlements have not exceeded coverages for the last three years. The accrual of estimated expense is based on Citilink's past history of losses and current outstanding claims. Citilink funds its self-insured program on an "incurred loss" basis. Citilink has designated cash as a reserve for the self insured obligations. A summary of changes in the accrued insurance liability accounts for the years ended December 31, 2010 and 2009, is as follows:

	Vehicle	Workers Compensation	Total
Balance, December 31, 2008	$ 217,000	$ 54,100	$ 271,100
Claims and expenses paid, net	(222,848)	(328,294)	(551,142)
Annual provisions for loss	179,848	399,694	579,542
Balance, December 31, 2009	174,000	125,500	299,500

	Vehicle	Workers Compensation	Total
Claims and expenses paid, net	$ (149,371)	$ (150,363)	$ (299,734)
Annual provisions for loss	50,371	74,863	125,234
Balance, December 31, 2010	$ 75,000	$ 50,000	$ 125,000

Note 7: Deferred Compensation Plan

Citilink offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan permits employees to defer a portion of their salary until termination, retirement, death or unforeseeable emergency and avoid paying taxes on the deferred portion until the withdrawal date. Participation in the plan is optional. The plan asset are held in trust for the exclusive benefit of participants and their beneficiaries and therefore are not reflected in Citilink's statements of net assets.

Note 8: Employee Pension Plan

Plan Description

Citilink contributes to the Fort Wayne Public Transportation Corporation Employees' Retirement Plan (Plan), which is a single-employer pension plan administered by a third party. The plan covers substantially all full-time employees and is administered by a Retirement Committee consisting of four trustees. For the years ended December 31, 2010 and 2009, total payroll for all employees amounted to $4,348,823 and $4,329,220 and total covered payroll amounted to $4,291,950 and $4,386,713, respectively. Covered payroll is based on the basic hourly rate figured on a 40-hour work week. The Plan does not issue a stand-alone report.

All full-time employees who complete 90 days of continuous employment and earn 1,000 hours of service in a plan year are eligible to participate in the plan on January 1 of the year in which the 1,000 hours were earned. Under the provisions of the plan, pension benefits from employer's contributions are fully vested after 5 years of service. An employee may retire at age 65 or after attaining age 55, provided the sum of the employee's age and years of continuous service total 85 (the "85 Rule"). The Plan was established by the Board of Directors and the Amalgamated Transit Union and the plan trustees reserve the right to amend, suspend or terminate the plan at any time.

The retiree receives annual pension benefits equal to $225 times the number of years of continuous service prior to May 1, 1970; plus 3.2% of earnings after May 1, 1970, and prior to July 1, 2003; plus 3.0% of earnings after July 1, 2003, and prior to July 1, 2006; plus 2.7% of earnings after July 1, 2006, and prior to June 1, 2009; plus 2.0% of earnings after June 1, 2009, subject to a cost of living adjustment. Also, the plan provides for reduced benefits for any participant who retires at age 55 and has 5 or more years of credited service. The plan also provides for disability benefits if

a participant becomes totally and permanently disabled from service with the employer if the employee has completed 10 years of continuous service.

Funding Policy

Under the provision of Citilink's agreement with bargaining unit employees and personnel policies, all employees must contribute .65% of their gross covered earnings to the plan. Citilink contributes 10.6% of employee's gross covered earnings to the pension plan.

Annual Pension Cost and Net Pension Obligation

Citilink's annual pension costs and net pension obligation to the Plan for 2010 and 2009 are as follows:

	2010	2009
Annual pension cost	$ 603,362	$ 580,561
Contributions made	452,829	462,008
Increase in net pension obligation	150,533	118,553
Net pension obligation, beginning of year	348,359	229,806
Net pension obligation, end of year	$ 498,892	$ 348,359

Funded Status and Funding Progress

As of January 1, 2009, the most recent valuation date, the Plan was 87.8% funded. The Actuarial Accrued Liability (AAL) was $20,492,373 and the actuarial value of assets was $18,422,665 resulting in an unfunded actuarial accrued liability (UAAL) of $2,558,003. The covered payroll (annual payroll of active employees covered by the plan) was $4,291,950 and the ratio of the UAAL to the covered payroll was 58.3%.

Actuarial Methods and Assumptions

The actuarial assumptions used to determine the unfunded actuarial liability are summarized below:

- An investment return of 7.5% per year, net after expenses
- The entry age normal actuarial cost method was used
- Wage increases of 4.0% per year
- Cost of living adjustment of 2.5% per year
- Rates of mortality before retirement and after normal, early and disability retirement are based on the UP 1994 Mortality Table for males and females. For disabled members the RP 2000 Mortality Table for male and female disabled retirees was used

- Termination rates: Varied from .018 at age 25 to .000 at age 60 and over
- Disability rate: Varied from .0014 at age 25 to .0278 at age 60 and over
- Retirement rates: Varied form .0075 at age 55 to .075 at age 64 for reduced/subsidized early retirement and from .2625 at age 55 to 1.00 at age 65 for fully subsidized retirement
- Marital status was assumed to be 80% of participants and that the age of the spouse was 3 years younger than that of the participant
- The net assets available for benefits was determined by smoothing unexpected gains and losses over a four-year period

Additional Information

The Schedule of Pension Funding Progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of the limitation of funding percentage on the employer's portion.

Participant summary:

Active members	102
Members receiving benefits	62
Terminated vesting members	18
Total	182

Three-Year Trend Information

Year Ended December 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2010	$ 603,362	75.0%	$ 498,892
2009	580,561	79.5	348,359
2008	497,256	90.2	244,129

Note 9: Other Post Employment Benefit Plan

Plan Description

The plan is a single-employer plan providing medical, dental and life insurance benefits to retirees. Employees who retire prior to age 65 and also meet the 85 Rule are eligible to be covered under the same health insurance plan that is available for active employees until attainment of age 65. The spouse and family of the retiree are eligible for the same health insurance coverage provided the

retiree if the spouse has no other health insurance coverage from the spouse's employer. The plan does not issue a stand-alone report.

Life Insurance – Citilink provides life insurance benefits varying from $10,000 to $25,000 to all retirees as defined by the union agreement.

Health Insurance – Under Citilink's union agreement, health care benefits are provided up to age 65 for retirees who meet the 85 Rule. Retirees pay $1 per year towards the cost of the health insurance, except that the retirees who retire on or after January 1, 2004, pay $100 per year and retirees who retire on or after January 1, 2005, pay $200 per year and the Company pays the balance of the health care coverage.

Medicare Supplemental Benefits – Under Citilink's union agreement, retirees and spouses eligible for Medicare are provided an annual Medicare Supplemental Benefit payment.

Funding Policy

The contributions requirements of plan members are established by Citilink's management. The plan is currently funded on a pay-as-you-go basis. Citilink funds on a cash basis as benefits are paid. For the year ended 2010 and 2009, Citilink contributed $172,955 and $155,488 to the postemployment retirement plan. No assets have been segregated and restricted to provide postretirement benefits within the definition of Plan Assets under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Annual OPEB Cost and Net OPEB Obligation

Citilink's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Citilink's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the state's net OPEB obligation to the plan:

	2010	2009
Annual required contribution (ARC)	$ 688,696	$ 688,896
Interest on net OPEB obligation	48,608	—
Adjustment to annual required contribution	(42,088)	—
Annual OPEB cost (expense)	695,216	688,896
Contributions made	(172,955)	(155,488)
Increase in net OPEB obligation	522,261	533,408
Net OPEB obligation, beginning of year	1,080,189	546,781
Net OPEB obligation, end of year	$ 1,602,450	$ 1,080,189

Citilink's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 are as follows:

	2010	2009
Annual OPEB cost	$ 695,216	$ 688,896
Net employer contributions	172,955	155,488
Percentage contributed	24.88%	22,57%
End of year net OPEB obligation	$ 1,602,450	$ 1,080,189

Funded Status and Funding Progress

As of December 31, 2008, the most recent valuation date, the Actuarial Accrued Liability (AAL) was $6,956,117. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations and are subject to continual revision.

Benefit obligations shown in this report are computed using the projected unit credit method. Benefits are attributed to service based on the plan's benefit eligibility provisions. The beginning of the attribution period is the date of hire and the end is the full eligibility date. The unfunded actuarial accrual liability is amortized over a 30-year closed period level dollar amounts. Cumulative gains and losses are amortized over the same 30-year period as other UAAL. Other assumptions are as follows:

- Interest rate assumption of 4.5%
- Inflation rate assumption of 3%
- Medical trend rate assumption used to increase per member medical costs in future years starts at 10% in 2009 and gradually declines to 5% by the year 2019

- Per retiree, total costs were developed using the Aging Curve for Health Care Costs (Table 4), applied to 5-year age groups. Assumed that 46% of retirees would have "employee only" coverage and that 54% of retirees would have "employee plus 1 dependent" coverage
- Participation rate assumption used was 75%
- Mortality rates: For active employees and retired members, the UP-1994 Mortality Table for Males and Females. For disabled members, the RP-2000 Mortality Table for Male and Female Disabled Retirees
- Termination rates: Varied from .018 at age 25 to .000 at age 60 and over
- Disability rate: Varied from .0014 at age 25 to .0278 at age 60 and over
- Retirement rates: Varied form .010 at age 55 to .100 at age 64 for reduced/subsidized early retirement and from .35 at age 55 to 1.00 at age 65 for fully subsidized retirement

Note 10: Union Contract

Citilink has a Collective Bargaining Agreement with the Amalgamated Transit Union, Local 682, which covers all full-time and part-time employees of the operating and shop departments as defined in the Agreement. The Agreement establishes rates of pay, wages, hours of employment and other conditions of employment. The newest contract was approved in late 2009 and covers the period from January 1, 2010 through December 31, 2012.

Note 11: Commitments and Contingencies

Federal Funds

Citilink participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. At December 31, 2010, in the opinion of management of Citilink, any disallowances resulting from a federal audit would not be material.

Litigation

Citilink is a defendant in a number of lawsuits in its normal course of operations. Management is of the opinion that ultimate settlement of such lawsuits will not have a materially adverse effect on the financial statements

Current Economic Conditions

The current protracted economic decline presents Citilink and similar entities with difficult circumstances and challenges that in some cases may result in large declines in passengers and related revenue, declines in grant and tax revenues, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to Citilink.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments that could negatively impact Citilink's financial results.

Required Supplementary Information

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Schedule of Pension Funding Progress
Year Ended December 31, 2010

Three-Year Trend Information
Employees' Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	$ 18,422,665	$ 20,980,668	$ 2,558,003	87.8%	$ 4,386,713	58.3%
January 1, 2006	16,810,413	18,152,651	1,342,238	92.6	3,644,368	36.8
January 1, 2003	15,796,342	17,878,880	2,082,538	88.4	2,972,306	70.1

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Schedule of OPEB Funding Progress
Year Ended December 31, 2010

Fort Wayne Public Transportation Corporation Retiree Health Insurance Plan is a single-employer defined benefit plan administered by the Fort Wayne Public Transportation Corporation. Please refer to Note 10 for more detailed information.

	Year Ended December 31, 2010
Actuarial valuation date	December 31, 2008
Actuarial cost method	Projected Unit Credit
Actuarial accrued liability	$ 6,956,117
Actuarial value of assets	—
Total unfunded actuarial liability	$ 6,956,117
Funded ratio	0%
Participant summary:	
Active employees	42
Retirees	117
	159
Actuarial assumptions:	
UAAL amortization method	Level % of pay
UAAL amortization period, closed/open	30 years, closed
Investment return (discount) rate	4.50%

Supplementary Information

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Statement of Revenue, Expenses and Changes in Net Assets, Budget and Actual

Year Ended December 31, 2010

	Original Budgeted Amounts	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (Under)	Actual Amounts GAAP Basis
Operating Revenue				
Passenger fares	$ 1,145,532	$ 1,121,387	$ 5,945	$ 1,115,442
Fare subsidy	—	—	(89,544)	89,544
Para transit	102,303	108,559	(2,458)	111,017
Other	571	694	—	694
Total operating revenue	1,248,406	1,230,640	(86,057)	1,316,697
Operating Expenses				
Salaries and wages	5,217,534	5,052,599	703,776	4,348,823
Fringe benefits	2,605,817	2,526,941	(1,284,405)	3,811,346
Services	709,250	743,381	79,826	663,555
Materials and supplies	1,918,710	1,554,012	16,461	1,537,551
Utilities	132,000	97,896	(4,392)	102,288
Casualty and liability costs	391,923	337,191	98,257	238,934
Taxes	765	930	8	922
Miscellaneous	163,892	155,725	(15,630)	171,355
Lease and rentals	2,322	1,320	—	1,320
Vehicle tracking system	—	—	(18,551)	18,551
Depreciation	—	—	(1,334,526)	1,334,526
Total operating expenses	11,142,213	10,469,995	(1,759,176)	12,229,171
Operating loss	(9,893,807)	(9,239,355)	1,673,119	(10,912,474)
Nonoperating Revenue (Expenses)				
Local government assessments and taxes	5,348,240	5,357,284	(67,297)	5,424,581
Federal grants and reimbursements	2,612,534	2,776,171	108,306	2,667,865
State operating grants	1,832,635	1,894,112	(15,296)	1,909,408
Pass-through to subrecipient	—	—	80,850	(80,850)
Gain on sale of capital assets	18,480	11,791	1	11,790
Interest income	—	—	11,117	(11,117)
Rent and miscellaneous	135,647	159,890	93,144	66,746
Interest from contract receivable	—	—	(36,136)	36,136
Total nonoperating revenue (expenses)	9,947,536	10,199,248	174,689	10,024,559
Net gain (loss) before capital contributions	$ 53,729	$ 959,893	$ 1,847,808	$ (887,915)

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Statement of Revenue, Expenses and Changes in Net Assets, Budget and Actual
Year Ended December 31, 2010

Explanation of Differences:

(a) Citilink budgets on the cash basis of accounting. These differences are due to receivables and accruals that are recorded in the financial statements prepared on the GAAP basis of accounting.

(b) These differences occur because these items are not cash basis and are not included in the budget.

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Agency or Pass-Through Number	Federal CFDA Number	Amount
U.S. Department of Transportation			
Federal Transit Cluster:			
Federal Transit Capital Investment Grant	N/A	20.500	$ 459,169
Capital and Operating Assistance Formula Grants	N/A	20.507	3,272,476
American Recovery and Reinvestment Act	N/A	20.507	3,377,228
			7,108,873
Transit Service Programs Cluster			
Job Access and Reverse Commute Project	N/A	20.516	188,779
New Freedom Program	N/A	20.521	89,834
			278,613
			$ 7,387,486

Notes to Schedule

1. This schedule includes the federal awards activity of the Fort Wayne Public Transportation Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, A*udits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Fort Wayne Public Transportation Corporation provided federal awards of $80,850 to Community Transportation Network, Inc. related to the New Freedom Program.

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Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Fort Wayne Public Transportation Corporation
Fort Wayne, Indiana

We have audited the financial statements of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Citilink's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Citilink's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Citilink's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Citilink's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Citilink's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Citilink's management in a separate letter dated March 29, 2011.

This report is intended solely for the information and use of the governing body, management and others within Citilink and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

March 29, 2011

BKD LLP
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Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Fort Wayne Public Transportation Corporation
Fort Wayne, Indiana

Compliance

We have audited the compliance of Fort Wayne Public Transportation Corporation (Citilink), a component unit of the Consolidated City of Fort Wayne – Allen County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. Citilink's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Citilink's management. Our responsibility is to express an opinion on the compliance of Fort Wayne Public Transportation Corporation based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Citilink's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Citilink's compliance with those requirements.

In our opinion, Fort Wayne Public Transportation Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of Fort Wayne Public Transportation Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Citilink's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Citilink's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the governing body, management, others within Citilink, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

March 29, 2011

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Summary of Auditor's Results

1. The opinion expressed in the independent accountants' report was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☐ Yes ☒ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No

7. Citilink's major program was:

Cluster/Program	CFDA Number
Federal Transit Cluster	20.500, 20.507

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $300,000

9. Citilink qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☒ Yes ☐ No

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
	No matters are reportable.	

Fort Wayne Public Transportation Corporation

(A Component Unit of the Consolidated City of Fort Wayne – Allen County)

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2010

Reference Number	Summary of Finding	Status
	No matters are reportable.	